Modimolle-Mookgophong Local Municipality
Annual Financial Statements
for the year ended 30 June 2018

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Modimolle-Mookgophong Local Municipality was established in terms of Section 12 of the Municipal Structures Act (112 of 1998). The merger took place on 11 August 2016. The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: General services - All types of services rendered by the municipality, excluding the supply of housing of the community. Waste Management Services - The collection, disposal and recycling of waste. Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. Waste water management - Collection and purification of waste water. Water Services - Supply and purification of water.
Executive committee	
Mayor	Cllr M van Staden
Executive Commitee	Cllr LW Kola Cllr RP Mashaba Cllr NG Mashitisho Cllr LW Monyela (1 July 2017 - 30 May 2017) Cllr NE Monepya
Speaker	Cllr JJ Abrie (1 July 2017 - 17 November 2017) Cllr DS Motswene (17 November 2017 - 30 June 2018)
Chief whip	Cllr DS Motswene (1 July 2017 - 17 November 2017) Cllr HP Louw (17 November 2017 - 30 June 2018)
Councillors	Cllr JJ Abrie (17 November 2017 - 30 June 2018) Cllr J Baloyi Cllr CMJ Botha Cllr RS Chauke Cllr S Groenewald Cllr MJ Kekana Cllr KE Lekalakala Cllr JM Lebese Cllr KN Mabunda Cllr RJ Mahoro Cllr BS Marema (1 July 2017 - 14 December 2017) Cllr B Mocke Cllr LW Monyela (30 May 2018 - 30 June 2018) Cllr DM Monama Cllr NE Monepya Cllr NS Monyamane Cllr LK Moruwe Cllr MM Mothabela Cllr D Phalane Cllr MD Phele Cllr J Prinsloo Cllr MS Seodisa Cllr MM Sethlabi

General Information

Grading of local authority	Grade 3
Demarcation code	LIM368
Acting Accounting Officer	Ms MF Mokoko
Chief Finance Officer (CFO)	Mr SM Mhlanga
Registered office	Harry Gwala Street OR Tambo Square Modimolle South Africa 0510
Business address	Harry Gwala Street OR Tambo Square Modimolle South Africa 0510
Postal address	Private Bag X 1008 Modimolle 0510
Bankers	Standard Bank
Auditors	The Auditor General of South Africa Limpopo

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The reports and statements set out below comprise the annual financial statements presented to the council:

COIDA	Compensation for Occupational Injuries and Diseases Act
COGHSTA	Cooperative Governance, Human Settlelement and Traditional Affairs
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infratructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, she is satisfied that the municipality has reasonable resources to continue in operational existence for the foreseeable future.

The municipality is largely dependent on the National Treasury for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the National Treasury has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The annual financial statements set out on pages 6 to 84, which have been prepared on the going concern basis, were approved by the accounting officer on 14 December 2018 and were signed by:

MF Mokoko
Administrator

Modimolle

14 December 2018

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

Modimolle-Mookgophong Local Municipality was established in terms of section 12 of the Municipal Structures Act (112 of 1998). the merger took place on 11 August 2016.

The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community:

General services - all types of services rendered by the municipality, excluding the supply of housing of the community.

Waste management services - the collection, disposal and recycling of waste.

Electricity services - electricity is bought in bulk from eskom and distributed to the consumers by the municipality.

Waste water management - collection and purification of waste water.

Water services - supply and purification of water,

and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in my opinion require any further comment.

Net deficit of the municipality was R 274 475 212 (2017: deficit R 90 812 700).

2. Special resolutions

As per Executive Council Decision No.26 of 2018/19:

The Executive Council resolved that Modimolle-Mookgophong Local Municipality be placed under Section 139 of the Constitution of the Republic of South Africa, 108 of 1996 as of 30 May 2018, and further mandated the MEC for COGHSTA to make a determination on whether the intervention should be in terms of either sub-section 139(1)(a) or (1)(b) after having considered all the factors;

The Executive Council resolved that COGHSTA and Provincial Treasury should work on the financial resources to implement the intervention; and

The Executive Council resolved that the Provincial Treasury should undertake a forensic investigation on all municipal activities to determine the extent of the challenges and remedial actions necessary to be undertaken.

3. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Accounting policies

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

5. Auditors

The Auditor General of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	3	2 944 079	5 299 794
Other financial assets	4	-	10 658 732
Other receivables from exchange transactions	5	7 987 130	7 123 623
Receivables from non-exchange transactions	6	100 150 378	73 119 210
VAT receivable	7	34 214 251	22 811 266
Receivables from exchange transactions	8	62 663 401	139 513 708
Investments	9	900 000	900 000
Deposits	10	372 363	372 363
Cash and cash equivalents	11	8 710	801 425
		209 240 312	**260 600 121**
Non-Current Assets			
Investment property	12	17 206 951	17 206 951
Property, plant and equipment	13	1 351 995 269	1 397 376 392
Intangible assets	14	4 911 036	4 911 035
Heritage assets	15	161 313	215 563
Investments	9	131 484	128 415
		1 374 406 053	**1 419 838 356**
Total Assets		**1 583 646 365**	**1 680 438 477**
Liabilities			
Current Liabilities			
Other financial liabilities	16	19 271 761	150 995
Finance lease obligation	17	617 949	2 411 465
Payables from exchange transactions	18	440 866 799	284 404 984
Consumer deposits	19	7 331 770	7 331 770
Employee benefit obligation	20	1 759 875	1 595 831
Long service awards	21	4 218 256	1 469 734
Unspent conditional grants and receipts	22	83 779 599	18 790 274
Bank overdraft	11	87 141 051	155 365 871
		644 987 060	**471 520 924**
Non-Current Liabilities			
Finance lease obligation	17	19 872	637 822
Employee benefit obligation	20	41 034 337	37 346 699
Long service awards	21	9 031 087	8 440 786
Provisions	23	63 270 749	62 713 772
		113 356 045	**109 139 079**
Total Liabilities		**758 343 105**	**580 660 003**
Net Assets		**825 303 260**	**1 099 778 474**
Reserves			
Housing development fund	24	483 263	483 263
Accumulated surplus		824 819 997	1 099 295 211
Total Net Assets		**825 303 260**	**1 099 778 474**

* See Note 42

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	217 724 241	193 671 247
Interest received - trading		34 932 179	24 607 829
Fair value of shares		3 069	9 326
Sundry income	26	5 345 417	5 256 769
Interest received - investment		695 189	2 695 989
Total revenue from exchange transactions		**258 700 095**	**226 241 160**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	71 417 174	55 978 716
Licences and permits		1 213 138	2 292 448
Transfer revenue			
Government grants and subsidies	28	154 689 815	173 701 354
Fines, penalties and forfeits		626 082	399 628
Total revenue from non-exchange transactions		**227 946 209**	**232 372 146**
Total revenue		**486 646 304**	**458 613 306**
Expenditure			
Employee related costs	29	(186 125 585)	(143 117 148)
Remuneration of councillors	30	(9 985 321)	(11 979 527)
Depreciation and amortisation	31	(70 452 834)	(49 148 397)
Impairment loss/ Reversal of impairments	32	(4 629 507)	(1 836 339)
Finance costs	33	(4 878 706)	(5 409 385)
Debt impairment	34	(144 399 778)	(37 150 142)
Bulk purchases	35	(212 292 248)	(213 488 565)
Contracted services	36	(85 183 808)	(53 307 194)
Loss on disposal of assets and liabilities		(2 074 399)	-
Inventories losses/write-downs		(2 272 955)	-
General expenses	37	(38 826 375)	(33 989 309)
Total expenditure		**(761 121 516)**	**(549 426 006)**
Deficit for the year		**(274 475 212)**	**(90 812 700)**

* See Note 42

Statement of Changes in Net Assets

Figures in Rand	Housing development fund	Accumulated surplus	Total net assets
Opening balance as previously reported	483 263	1 137 889 603	1 138 372 866
Adjustments			
Prior year adjustments	-	52 218 308	52 218 308
Balance at 11 August 2016 as restated*	**483 263**	**1 190 107 911**	**1 190 591 174**
Changes in net assets			
Deficit for the year	-	(90 812 700)	(90 812 700)
Total changes	-	(90 812 700)	(90 812 700)
Opening balance as previously reported	483 263	1 117 180 870	1 117 664 133
Adjustments			
Prior year adjustments	-	(17 885 661)	(17 885 661)
Restated* Balance at 01 July 2017 as restated*	**483 263**	**1 099 295 209**	**1 099 778 472**
Changes in net assets			
Deficit for the year	-	(274 475 212)	(274 475 212)
Total changes	-	(274 475 212)	(274 475 212)
Balance at 30 June 2018	**483 263**	**824 819 997**	**825 303 260**
	24		

* See Note 42

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		200 137 653	186 322 681
Grants		219 679 140	165 319 849
Interest income		34 932 179	2 695 989
Interest earned - Outstanding receivables		695 189	24 607 829
		455 444 161	378 946 348
Payments			
Employee costs		(193 364 438)	(171 032 626)
Finance costs		(434 669)	(492 299)
Other payments		(210 922 249)	(302 094 047)
		(404 721 356)	(473 618 972)
Net cash flows from operating activities	39	**50 722 805**	**(94 672 624)**
Cash flows from investing activities			
Purchase of property, plant and equipment	13	-	(96 004 675)
Cash flows from financing activities			
Advance / (Repayment) of other financial liabilities		19 120 766	(276 855)
Movement in employee obligations		-	(476 448)
Finance lease payments		(2 411 466)	(1 656 461)
Net cash flows from financing activities		**16 709 300**	**(2 409 764)**
Net increase/(decrease) in cash and cash equivalents		**67 432 105**	**(193 087 063)**
Cash and cash equivalents at the beginning of the year		(154 564 446)	38 522 617
Cash and cash equivalents at the end of the year	11	**(87 132 341)**	**(154 564 446)**

* See Note 42

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	243 399 287	(5 562 075)	**237 837 212**	217 724 241	**(20 112 971)**	
Interest received - trading	29 707 167	5 000 000	**34 707 167**	34 932 179	**225 012**	
Fair value of shares	-	-	**-**	3 069	**3 069**	
Sundry income	7 053 748	900 600	**7 954 348**	5 345 417	**(2 608 931)**	
Interest received - investment	3 050 000	(1 499 996)	**1 550 004**	695 189	**(854 815)**	
Total revenue from exchange transactions	**283 210 202**	**(1 161 471)**	**282 048 731**	**258 700 095**	**(23 348 636)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	65 377 940	-	**65 377 940**	71 417 174	**6 039 234**	
Licences and permits	8 172 871	(4 367 871)	**3 805 000**	1 213 138	**(2 591 862)**	
Transfer revenue						
Government grants and subsidies	230 345 000	5 000 000	**235 345 000**	154 689 815	**(80 655 185)**	
Fines, penalties and forfeits	161 000	400 000	**561 000**	626 082	**65 082**	
Total revenue from non-exchange transactions	**304 056 811**	**1 032 129**	**305 088 940**	**227 946 209**	**(77 142 731)**	
Total revenue	**587 267 013**	**(129 342)**	**587 137 671**	**486 646 304**	**(100 491 367)**	
Expenditure						
Employee related cost	(190 673 412)	9 009 359	**(181 664 053)**	(186 125 585)	**(4 461 532)**	
Remuneration of councillors	(9 718 223)	-	**(9 718 223)**	(9 985 321)	**(267 098)**	
Depreciation and amortisation	(76 947 104)	12 746 796	**(64 200 308)**	(70 452 834)	**(6 252 526)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(4 629 507)	**(4 629 507)**	
Finance costs	(13 575 160)	1 500 000	**(12 075 160)**	(4 878 706)	**7 196 454**	
Debt impairment	(26 665 200)	(533 040)	**(27 198 240)**	(144 399 778)	**(117 201 538)**	
Bulk purchases	(165 491 391)	(21 622 610)	**(187 114 001)**	(212 292 248)	**(25 178 247)**	
Contracted services	(54 080 403)	(774 411)	**(54 854 814)**	(85 183 808)	**(30 328 994)**	
General expenses	(36 619 783)	(39 496 841)	**(76 116 624)**	(38 826 375)	**37 290 249**	
Total expenditure	**(573 770 676)**	**(39 170 747)**	**(612 941 423)**	**(756 774 162)**	**(143 832 739)**	
Operating deficit	**13 496 337**	**(39 300 089)**	**(25 803 752)**	**(270 127 858)**	**(244 324 106)**	
Loss on disposal of assets and liabilities	-	-	**-**	(2 074 399)	**(2 074 399)**	
Inventories losses/write-downs	-	-	**-**	(2 272 955)	**(2 272 955)**	
	-	**-**	**-**	**(4 347 354)**	**(4 347 354)**	
Deficit before taxation	**13 496 337**	**(39 300 089)**	**(25 803 752)**	**(274 475 212)**	**(248 671 460)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**13 496 337**	**(39 300 089)**	**(25 803 752)**	**(274 475 212)**	**(248 671 460)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete inventory

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the condition of the asset assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible assets.

Value in use of cash generating assets

The municipality reviews and tests the carrying value of cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 23 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post retirement benefits and other long-term benefits

The present value of the post retirement and long-term benefit obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement and long-term benefit obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in note 20.

Effective interest rate

The municipality uses the prime interest rate to discount future cash flows.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment of financial assets

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - buildings	5 - 80 years
Property - land	Indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property are the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 12).

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Accounting Policies

1.3 Property, plant and equipment (continued)

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	5 - 80 years
Plant and Machinery	Straight line	2 - 15 years
Furniture and fittings	Straight line	7 - 10 years
Motor Vehicles	Straight line	5 - 20 years
Office Equipment	Straight line	3 - 10 years
Housing	Straight line	5 - 80 years
Community Facility	Straight line	7 - 100 years
Sport and Recreational	Straight line	7 - 100 years
Bins and Containers	Straight line	3 - 10 years
Emergency Equipment	Straight line	3 - 7 years
Electricity Network	Straight line	4 - 100 years
Road and Storm Water Network	Straight line	4 - 100 years
Wastewater Network	Straight line	4 - 100 years
Water Network	Straight line	4 - 100 years

Accounting Policies

1.3 Property, plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Assets of the municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 13).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore certain items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, rehabilitation and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of non-cash-generating assets.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially measured at cost.

Accounting Policies

1.5 Intangible assets (continued)

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of items of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Electrical Servitudes	Straight line	Indefinite
Electrical Servitudes	Straight line	Indefinite
Sanitation Servitudes	Straight line	Indefinite
Storm Water Servitudes	Straight line	Indefinite
Computer software, other	Straight line	3 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets are included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises heritage assets as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note 15 - Heritage assets.

Heritage assets are initially measured at cost.

When a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its used or disposal.

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

1.6 Heritage assets (continued)

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 15).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 15).

1.7 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

- Cash-generating assets are assets managed with the objective of generating a commercial return

- Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.7 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.7 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.8 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

- Cash-generating assets are assets managed with the objective of generating a commercial return.

- Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Accounting Policies

1.8 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset are determined on an "optimised" basis. The rationale is that the municipality will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Accounting Policies

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Investments	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other Receivables	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Employee benefit Obligation	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in the carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Accounting Policies

1.10 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

1.12 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

Sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

1.12 Employee benefits (continued)

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality’s informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality’s informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

1.12 Employee benefits (continued)

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.13 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

1.13 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

Where the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.7 and 1.8.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.14 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.

Accounting Policies

1.15 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

Revenue arising from the use by others of municipal assets yielding interest and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.16 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

1.16 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality’s operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, are exchange transactions and are accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Accounting Policies

1.18 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rents are expensed in the period in which they are incurred.

1.19 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given raise to the transfer occurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 43.

1.21 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.22 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the municipality, or exercise significant influence over the municipality, or vice versa, or an entity that is subject to common control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

1.26 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2018 or later periods:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:
- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government’s housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is not yet set by the Minister of Finance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the guideline will have a material impact on the municipality's annual financial statements.

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2021 financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2021 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2019

The municipality expects to adopt the amendment for the first time in the 2020 financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

2. New standards and interpretations (continued)

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the amendment is for years beginning on or after 01 April 2019.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2020 financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time when in the 2020 financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2020 financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2020 financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

2. New standards and interpretations (continued)

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2020 financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity’s financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2020 annual financial statements.

The impact of this interpretation is currently being assessed.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2020 financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB’s Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term “ammunition” in IPSAS 12 was replaced with the term “military inventories” and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB’s amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB’s Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2016): Impairment of Non-Cash-Generating Assets

Amendments to the Standard of GRAP on Impairment of Non-Cash-Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB’s Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB’s recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2016): Impairment of Cash-Generating Assets

2. New standards and interpretations (continued)

Amendments Changes to the Standard of GRAP on Impairment of Cash-Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:
- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:
- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

3. Inventories

Consumables	2 718 189	4 993 579
Water	225 890	306 215
	2 944 079	**5 299 794**
Inventories losses/write-downs	2 272 955	-

There are two stores within the municipality, one in Modimolle and the other in Mookgophong. The stores consists mainly of maintenance items for the Water, Sanitation and Electricity Departments as well as stationary and protective clothing for the municipality.

Inventory pledged as security

During the year no inventory was pledged as security.

4. Other financial assets

At amortised cost		
Short term investments	-	10 658 732
Current assets		
At amortised cost	-	10 658 732

5. Other receivables from exchange transactions

Other receivables	7 987 130	7 123 623

Trade and other receivables pledged as security

During the year no receivables were pledged as security.

6. Receivables from non-exchange transactions

Fines	1 459 809	1 459 809
Consumer debtors - Rates	100 150 378	73 119 210
Less: Impairment	(1 459 809)	(1 459 809)
	100 150 378	**73 119 210**

Receivables from non-exchange transactions pledged as security

During the year no receivables were pledged as security.

Rates		
Current (0 - 30 days)	6 172 974	31 440
31 - 60 days	3 807 551	4 473 595
61 - 90 days	3 533 359	2 544 138
91 - 120 days	3 408 533	2 300 741
> 120 days	83 227 961	63 769 296
Less: Impairment	-	-
	100 150 378	**73 119 210**

Figures in Rand	2018	2017

6. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R 100 150 378 (2017: R 73 119 210) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	3 807 551	4 473 595
2 months past due	3 533 359	2 544 138
3 months past due	86 636 494	66 070 037

Receivables from non-exchange transactions impaired

As of 30 June 2018, other receivables from non-exchange transactions of R 1 459 809 (2017: R 1 459 809) were impaired and provided for.

The amount of the provision was R 1 459 809 as of 30 June 2018 (2017: R 1 459 809).

The ageing of these loans is as follows:

Over 6 months	1 459 809	1 459 809

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	1 459 809	1 176 179
Provision for impairment	-	283 630
	1 459 809	**1 459 809**

7. VAT receivable

VAT	34 214 251	22 811 266

The municipality is registered for VAT on the payment basis.

8. Receivables from exchange transactions

Gross balances		
Electricity	49 409 970	38 723 561
Water	95 659 230	50 953 853
Sewerage	37 757 484	25 218 052
Refuse	31 595 781	18 578 535
Merchandising Jobbing and Contracts	75 160 104	89 766 526
	289 582 569	**223 240 527**

Less: Allowance for impairment		
Electricity	(38 485 442)	(13 902 279)
Water	(85 853 181)	(21 482 635)
Refuse	(28 484 699)	(8 192 484)
Merchandising Jobbing and Contracts	(74 095 846)	(40 149 421)
	(226 919 168)	**(83 726 819)**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

8. Receivables from exchange transactions (continued)

Net balance		
Electricity	10 924 528	24 821 282
Water	9 806 049	29 471 218
Sewerage	37 757 484	25 218 052
Refuse	3 111 082	10 386 051
Merchandising Jobbing and Contracts	1 064 258	49 617 105
	62 663 401	**139 513 708**

Electricity		
Current (0 -30 days)	8 489 165	186 449
31 - 60 days	2 739 113	6 820 234
61 - 90 days	2 131 611	3 067 480
91 - 120 days	2 323 727	2 032 438
> 121 days	33 726 354	26 616 960
Less: Impairment	(38 485 442)	(13 902 279)
	10 924 528	**24 821 282**

Water		
Current (0 -30 days)	5 696 559	91 960
31 - 60 days	4 045 891	3 826 465
61 - 90 days	4 173 086	2 764 661
91 - 120 days	5 252 090	2 346 566
> 121 days	76 491 604	41 924 201
Less: Impairment	(85 853 181)	(21 482 635)
	9 806 049	**29 471 218**

Sewerage		
Current (0 -30 days)	1 660 235	7 743
31 - 60 days	1 309 764	1 797 558
61 - 90 days	1 261 793	1 073 934
91 - 120 days	1 218 668	964 893
> 121 days	32 307 024	21 373 924
	37 757 484	**25 218 052**

Refuse		
Current (0 -30 days)	1 817 532	2 613
31 - 60 days	1 308 295	1 052 182
61 - 90 days	1 270 800	640 917
91 - 120 days	1 205 140	576 439
> 121 days	25 994 014	16 306 384
Less: Impairment	(28 484 699)	(8 192 484)
	3 111 082	**10 386 051**

Merchandising Jobbing and Contracts		
Current (0 -30 days)	443 292	137 430
31 - 60 days	373 385	4 180 151
61 - 90 days	567 238	3 231 351
91 - 120 days	344 423	2 906 397
> 121 days	73 431 766	79 311 197
Less: Impairment	(74 095 846)	(40 149 421)
	1 064 258	**49 617 105**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

8. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

	2018	2017
Balance at beginning of the year	(83 726 819)	(105 216 488)
Contributions to allowance	(143 192 349)	(36 866 512)
Debt impairment written off against allowance	-	58 356 181
	(226 919 168)	**(83 726 819)**

Receivables from exchange transactions pledged as security

During the year no receivables were pledged as security.

Receivables from exchange transactions impaired

As of 30 June 2018, consumer debtors of R 235 227 879 (2017: R 148 071 287) were impaired and provided for.

The amount of the provision was R 226 923 168 as of 30 June 2018 (2017: R 83 726 819).

The ageing of these receivables is as follows:

	2018	2017
3 to 6 months	16 609 423	8 826 733
Over 6 months	218 618 456	139 244 554

9. Investments

	2018	2017
NTK shares	131 484	128 415
Fixed deposit	900 000	900 000
	1 031 484	**1 028 415**

Current and Non-Current

	2018	2017
Current portion	900 000	900 000
Non-current portion	131 484	128 415
	1 031 484	**1 028 415**

Fixed deposit amounting to R900 000 has been pledged to Magalies Water for a deposit. The Investment is renewable annually. Fixed deposit is held with First National Bank, account number 710 5722 0470.

The shares held in NTK are for the purposes of holding an account with the entity. NTK shares earn dividends that are payable to the Municipality every 15 years. The shares are unsecured.

NTK shares - 30 June 2018	**Class 1 Normal shares**	**Class 2 Preferencial shares**	**Class 3 Preferencial shares**	**Security investments**	**Total**
Opening balance	5 000	32 261	77 919	13 235	128 415
Fair value adjustments	-	57	-	3 012	3 069
	5 000	**32 318**	**77 919**	**16 247**	**131 484**

NTK shares - 30 June 2017	**Class 1 Normal shares**	**Class 2 Preferencial shares**	**Class 3 Preferencial shares**	**Security investments**	**Total**
Opening balance	5 000	32 244	77 919	3 926	119 089
Fair value adjustments	-	17	-	9 309	9 326
	5 000	**32 261**	**77 919**	**13 235**	**128 415**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

10. Deposits

Eskom deposit	372 363	372 363

The deposit is held by Eskom for bulk services rendered to the municipality.

The above deposit is unsecured.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8 710	8 710
Bank balances	-	792 715
Bank overdraft	(87 141 051)	(155 365 871)
	(87 132 341)	**(154 564 446)**

Current assets	8 710	801 425
Current liabilities	(87 141 051)	(155 365 871)
	(87 132 341)	**(154 564 446)**

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Standard Bank Limited - Primary Account - Current account 38835851-007	5 172 531	3 074 378	30 053 273	(37 378 832)
Standard Bank Limited - Current account - 031702325	-	6 076	(117 194 324)	(117 194 324)
Total	**5 172 531**	**3 080 454**	**(87 141 051)**	**(154 573 156)**

Standard Bank Limited account, 031702325 has been closed as of 3 August 2017.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

12. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	17 206 951	-	17 206 951	17 206 951	-	17 206 951

Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	17 206 951	17 206 951

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	17 206 951	17 206 951

Pledged as security

None of the above investment properties have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

13. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	467 266 718	-	467 266 718	529 980 489	(28 966 406)	501 014 083
Infrastructure	1 108 432 749	(419 425 137)	689 007 612	1 078 256 425	(366 832 513)	711 423 912
Community	95 018 833	(45 710 338)	49 308 495	99 915 902	(41 592 803)	58 323 099
Other property, plant and equipment	71 412 745	(45 137 342)	26 275 403	70 090 604	(40 937 774)	29 152 830
Libraries	1 345 317	(1 190 787)	154 530	-	-	-
Finance lease assets	9 704 644	(8 106 374)	1 598 270	15 033 272	(11 327 700)	3 705 572
Solid waste disposal	64 849 204	(31 975 171)	32 874 033	767 045	(214 776)	552 269
Work-in-progress	85 510 208	-	85 510 208	93 204 627	-	93 204 627
Total	**1 903 540 418**	**(551 545 149)**	**1 351 995 269**	**1 887 248 364**	**(489 871 972)**	**1 397 376 392**

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Correction of error	Disposals / write off	mSCOA re-classification	Transfers	Depreciation	Impairment loss	Total
Land	501 014 083	-	-	-	(33 747 365)	-	-	-	467 266 718
Infrastructure	711 423 912	37 757 453	-	(1 652 390)	969 453	(1 338 890)	(57 290 359)	(861 567)	689 007 612
Community	58 323 099	-	-	-	2 670 666	(5 129 499)	(4 994 822)	(1 560 949)	49 308 495
Other property, plant and equipment	29 152 830	-	-	(5 411)	(4 330 384)	6 436 688	(2 852 528)	(2 125 792)	26 275 403
Libraries	-	-	-	-	238 557	-	(84 027)	-	154 530
Finance lease assets	3 705 572	-	-	-	-	-	(2 107 302)	-	1 598 270
Solid waste disposal	552 269	1 430 858	(873 882)	-	34 192 502	31 701	(2 439 036)	(20 379)	32 874 033
Work-in-progress	93 204 627	48 872 517	-	(56 566 936)	-	-	-	-	85 510 208
	1 397 376 392	**88 060 828**	**(873 882)**	**(58 224 737)**	**(6 571)**	**-**	**(69 768 074)**	**(4 568 687)**	**1 351 995 269**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Correction of error	Disposals / write off	Transfers	Depreciation	Impairment loss	Total
Land	473 864 547	29 004 824	-	-	-	(1 855 288)	-	501 014 083
Infrastructure	641 451 779	46 945 292	63 301 743	(838 852)	-	(39 272 903)	(163 147)	711 423 912
Community	54 133 118	-	9 000 212	(502 497)	-	(4 117 619)	(190 115)	58 323 099
Other property, plant and equipment	27 837 563	-	5 501 415	(733)	-	(4 044 421)	(140 994)	29 152 830
Finance lease assets	4 732 426	715 391	275 135	-	-	(2 017 380)	-	3 705 572
Solid waste disposal	577 054	-	8 516	-	-	(33 301)	-	552 269
Work-in-progress	50 733 333	49 724 909	-	-	(7 253 615)	-	-	93 204 627
	1 253 329 820	**126 390 416**	**78 087 021**	**(1 342 082)**	**(7 253 615)**	**(51 340 912)**	**(494 256)**	**1 397 376 392**

Pledged as security

None of the above property, plant and equipment have been pledged as security.

13. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	87 834 225	4 185 595	1 184 806	93 204 626
Additions/capital expenditure	46 409 379	919 052	1 544 086	48 872 517
Transferred to completed items	(56 566 935)	-	-	(56 566 935)
	77 676 669	**5 104 647**	**2 728 892**	**85 510 208**

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	49 316 957	1 416 375	-	50 733 332
Additions/capital expenditure	45 770 883	2 769 220	1 184 806	49 724 909
Transferred to completed items	(7 253 615)	-	-	(7 253 615)
	87 834 225	**4 185 595**	**1 184 806**	**93 204 626**

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2018	2017
Contracted services	24 230 265	10 818 943

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

14. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 268 922	-	2 268 922	4 911 035	-	4 911 035
Servitutes	2 642 114	-	2 642 114	-	-	-
Total	**4 911 036**	**-**	**4 911 036**	**4 911 035**	**-**	**4 911 035**

Reconciliation of intangible assets - 2018

	Opening balance	mSCOA re-classification	Total
Computer software, other	4 911 036	(2 642 114)	2 268 922
Servitutes	-	2 642 114	2 642 114
	4 911 036	**-**	**4 911 036**

Reconciliation of intangible assets - 2017

	Opening balance	Correction of error	Amortisation	Total
Computer software, other	2 726 036	2 244 628	(59 629)	4 911 035

14. Intangible assets (continued)

Pledged as security

None of the above intangible assets have been pledged as security.

Other information

After assessing the relevant factors, the municipality determined that there is no forseeable limit to the period over which the intangible assets are expected to generate a service potential for the municipality, and therefore the useful life will be indefinite. Where an intangible asset

15. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other heritage assets	222 134	(60 821)	161 313	215 563	-	215 563

Reconciliation of heritage assets 2018

	Opening balance	mSCOA re-classification	Impairment losses recognised	Total
Other heritage assets	215 563	6 571	(60 821)	161 313

Reconciliation of heritage assets 2017

	Opening balance	Correction of error	Total
Other heritage assets	181 347	34 216	215 563

Pledged as security

None of the above heritage assets have been pledged as security.

Expenditure incurred to repair and maintain heritage assets

No expenditure has been incurred to repair and maintain herritage assets.

16. Other financial liabilities

	2018	2017
At amortised cost		
Development Bank of Southern Africa Account number 10467. Redemption date: 30 September 2017. Interest rate 12%. Payment terms 6 monthly. The remaining balance is due to accrued interest.	1 261	150 995
Short term investments	19 270 500	-
	19 271 761	**150 995**
Total other financial liabilities	**19 271 761**	**150 995**
Current liabilities		
At amortised cost	19 271 761	150 995

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

17. Finance lease obligation

Minimum lease payments due		
- within one year	647 607	2 587 686
- in second to fifth year inclusive	19 872	667 479
	667 479	3 255 165
less: future finance charges	(29 657)	(205 878)
Present value of minimum lease payments	**637 822**	**3 049 287**
Present value of minimum lease payments due		
- within one year	617 949	2 411 465
- in second to fifth year inclusive	19 872	637 822
	637 821	**3 049 287**
Current liabilities	617 949	2 411 465
Non-current liabilities	19 872	637 822
	637 821	**3 049 287**

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 9% (2017: 9%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 13.

18. Payables from exchange transactions

Trade payables	329 948 096	187 269 360
Payments received in advanced	5 146 151	16 338 056
Retentions	23 244 386	13 027 171
Other payables	51 951 811	39 548 701
Accrued leave pay	26 040 095	23 583 143
Accrued 13th cheque	4 536 260	4 638 553
	440 866 799	**284 404 984**

19. Consumer deposits

Electricity and water	7 331 770	7 331 770

No interest is paid on the consumer deposits.

Figures in Rand	2018	2017

20. Employee benefit obligations

Defined benefit plan

Post-employment health care plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. This includes all employees employed by the former Modimolle Local Municipality and in-service members employed on or before 1 December 2005 by the former Mookgophong Local Municipality.

All continuation members and their eligible dependants receive a subsidy of 60%, 62.5% or 70%.

Upon a member's death-in-service or death-in-retirement the surviving dependants will continue to receive the same subsidy.

All subsidies are subject to a maximum of R 4,218.17 per member per month, for the year ending 30 June 2019. The maximum subsidy amount has been assumed to increase in future at 75% of salary inflation.

The post-employment health care benefit is a defined benefit plan, which is made up as follows:

		2018	2017
Eligible in-service members			
Number of principal members		186	187
Number non-members		174	218
Average age of member		45,3	44
Average past service		11,6	11
Average number of dependants for In-Service Members		1,8	2
Continuing Members			
Number of principal members		42	40
Average age of members		72,2	73
Average number of dependants		0,5	1
Average employee contribution	R	3 368	3 198

The liability in respect of past service has been estimated to be as follows:	2018	2017
In-Service members	20 085 099	17 921 000
In-Services non-members	3 989 349	4 215 000
Continuation members	18 719 764	16 806 000
	42 794 212	**38 942 000**

The amounts recognised in the statement of financial position are as follows:

Carrying value	2018	2017
Present value of the defined benefit obligation-wholly unfunded	(42 794 212)	(38 942 530)
Current liabilities	(1 759 875)	(1 595 831)
Non-current liabilities	(41 034 337)	(37 346 699)
	(42 794 212)	**(38 942 530)**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

20. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	38 933 530	50 900 403
Net expense recognised in the statement of financial performance	5 447 513	(10 568 365)
Expected employer benefit payments	(1 595 831)	(1 398 508)
	42 785 212	**38 933 530**

Net expense recognised in the statement of financial performance

Current service cost	1 851 228	2 291 081
Interest cost	3 665 934	4 250 605
Actuarial (gains) losses	(69 649)	(17 110 051)
	5 447 513	**(10 568 365)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,54 %	9,61 %
Health care cost inflation rate	7,37 %	7,89 %
Expected increase in salaries	6,87 %	7,39 %
Maximum subsidy inflation rate	5,15 %	5,54 %

The basis used to determine the overall expected rate of return on assets is as follow:

A discount rate of 9.54% per annum has been used. The corresponding index-linked yield at this term is 2.99%.
The rate is calculated by using a weighted average of yields for the three components of the liability.

The employee benefit obligation was independently performed by ARCH Actuarial Consulting. The report was prepared by Chanan Weiss BSc FFA. Chanan is a Fellow of the Actuarial Society of South Africa.

Other assumptions

	One percentage point increase	**One percentage point decrease**
Health care inflation - Effect on the aggregate of the service cost and interest cost	5 986 300	4 932 600
Discount rate - Effect on the aggregate of the service cost and interest cost	5 039 000	6 105 500
Health care inflation - Effect on the accrued liability	46 046 000	38 887 000
Discount rate - Effect on the acrued liability	37 509 000	49 383 000

Amounts for the current and previous year are as follows:

	2018 R	2017 R
Post-employement medical aid benefit	42 794 212	38 942 530

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

21. Long service awards

Long service benefits are awarded in the form of a number of leave days once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits by Independent Actuaries and Consultants as at 30 June 2018.

Changes in the present value of the long service liability is:		
Opening balance	9 910 520	9 007 743
Net expense recognised in the statement of financial performance	250 426	902 777
	10 160 946	**9 910 520**

Current liability	4 218 256	1 469 734
Non-current liability	9 031 087	8 440 786
	13 249 343	**9 910 520**

Net expenses recognised in the financial statement of performance		
Current service cost	1 042 391	951 122
Interest cost	778 103	630 246
Benefits vested	(1 469 734)	(918 613)
Actuarial (gain)/loss	(100 334)	240 022
	250 426	**902 777**

Amounts for the current and previous year are as follows:

	2018	2017
Long service award	10 160 946	9 910 520

Assumptions used at the reporting date:

Discount rates used	8,57 %	8,47 %
Normal salary increase rate	6,18 %	6,29 %
Net discount rate	2,25 %	2,05 %

22. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	18 319 578	-
Municipal Demarcation Grant	1 938 847	7 871 881
Integrated National Electrification Programme Grant	2 598 073	1 215 329
Water Services Infrastructure Grant	57 823 428	6 603 391
Housing Grant	2 901 261	2 901 261
National Lottery Grant	137 300	137 300
Waterberg District Municipality Grant	61 112	61 112
	83 779 599	**18 790 274**

Movement during the year

Balance at the beginning of the year	18 790 274	13 401 531
Additions during the year	126 294 539	101 968 039
Income recognition during the year	(61 305 214)	(96 579 296)
	83 779 599	**18 790 274**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

22. Unspent conditional grants and receipts (continued)

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 28 for reconciliation of grants from National/Provincial Government.

23. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	62 713 772	1 430 858	(873 881)	63 270 749

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Environmental rehabilitation	33 708 949	29 004 823	62 713 772

Environmental rehabilitation provision

The provision for the rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal.

The valuation for the landfill site was performed by Mr Lance Hill Pr Tech Eng from Hill & Associates Civil and Environmental Engineers.

As the landfill sites have not been rehabilitated at all the provison required for these sites will be the full closure cost for the sites as at 30 June 2018 in terms of the license condition of the sites at the time of closure.

The sites under consideration is:
- Modimolle landfill site;
- Vaalwater landfill site; and
- Mookgophong landfill site.

The cost estimate is based on 25% Preliminary and General (P&G) and a 10% contingency of the construction amount for unforseen items. The rates used to determine the construction amount are based on current or recent construction contracts undertaken in similar circumstances.

	2018	2017
Current portion	-	-
Non-Current portion	63 270 749	62 713 772
	63 270 749	**62 713 772**

24. Housing development fund

Application has been made to Provincial Treasury to write back this reserve to accumulated surplus.

	2018	2017
Opening balance	483 263	483 263

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

25. Service charges

Refuse removal	17 496 651	15 008 006
Sale of electricity	126 338 189	124 259 660
Sale of water	59 055 677	29 379 264
Sewerage and sanitation charges	14 833 724	25 024 317
	217 724 241	**193 671 247**

26. Sundry income

Advertising boards	41 060	77 471
Building fees	647 300	444 387
Cemetery fees	300 746	302 860
Clearance and valuation certificate	331 129	456 877
Connection and reconnection fees	234 868	1 277 934
Dustbin sales	-	4 220
Fire brigade	38 994	1 394 868
Insurance claims	-	60 050
Membership fees	14 720	12 558
Other income	3 018 339	573 059
Photo copies	-	40
Rental income	581 037	246 968
Surplus cash	-	487
Tender documents	137 224	404 990
	5 345 417	**5 256 769**

27. Property rates

Rates received

Property rates	71 417 174	57 844 482
Property rates rebates	-	(1 865 766)
	71 417 174	**55 978 716**

Valuations

Agricultural	3 551 369 934	3 551 369 934
Church	16 995 000	16 995 000
Commercial	1 078 388 300	1 078 388 300
Residential	6 018 129 790	6 018 129 790
State	5 611 064 980	5 611 064 980
	6 275 948 004	**6 275 948 004**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Due to the amalgamation of the two municipalities an application was made to the MEC COGHSTA for an extension of the general valuation to come into effect on 1 July 2018. The new valuations will be valid for a period of 5 years.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Government grants and subsidies

Operating grants		
Equitable share	93 384 601	77 122 058
Financial Management Grant	4 043 609	2 897 617
Municipal Infrastructure Grant	1 827 282	1 476 984
Extended Public Works Programme Grant	1 160 000	2 302 000
Municipal Demarcation Grant	2 627 153	5 556 119
Skills Education & Training Grant	-	57 423
	103 042 645	**89 412 201**
Capital grants		
Municipal Infrastructure Grant	24 068 671	39 707 873
Integrated National Electrification Programme Grant	5 401 927	6 184 671
Water Services Infrastructure Grant	22 176 572	38 396 609
	51 647 170	**84 289 153**
	154 689 815	**173 701 354**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	61 305 214	96 579 296
Unconditional grants received	93 384 601	77 122 058
	154 689 815	**173 701 354**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Financial Management Grant

Current-year receipts	4 043 609	3 635 000
Conditions met - transferred to revenue	(4 043 609)	(3 635 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 22).

To promote and support reforms in financial management by building capacities in municipalities to implements the Municipal Finance Management Act (MFMA).

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	4 929 857
Current-year receipts	44 190 000	36 255 000
Conditions met - transferred to revenue	(25 895 953)	(41 184 857)
Other	25 531	-
	18 319 578	**-**

Conditions still to be met - remain liabilities (see note 22).

To provide specific capital finance for the basic municipal infrastructural backlog for poor household, micro enterprise and social institution servicing poor communities.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Government grants and subsidies (continued)

Extended Public Works Programme Grant

Current-year receipts	1 160 000	2 302 000
Conditions met - transferred to revenue	(1 160 000)	(2 302 000)
	-	-

Conditions still to be met - remain liabilities (see note 22).

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas: road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sewer reticulation, sanitation, pipelines(excluding bulk infrastructure), other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land-based livelihoods, social services programme, health service programme and community safety programme.

Municipal Demarcation Grant

Balance unspent at beginning of year	7 871 881	5 372 000
Current-year receipts	4 566 000	8 056 000
Conditions met - transferred to revenue	(2 627 153)	(5 556 119)
Withheld	(7 871 881)	-
	1 938 847	**7 871 881**

Conditions still to be met - remain liabilities (see note 22).

To subsidise the additional institutional and administrative cost arising from major boundary changes due to come into effect at the time of the 2016 local government elections.

Integrated National Electrification Programme Grant

Balance unspent at beginning of year	1 215 329	-
Current-year receipts	8 000 000	7 400 000
Conditions met - transferred to revenue	(5 401 927)	(6 184 671)
Withheld	(1 215 329)	-
	2 598 073	**1 215 329**

Conditions still to be met - remain liabilities (see note 22).

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, clinics and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Water Services Infrastructure Grant

Balance unspent at beginning of year	6 603 391	-
Current-year receipts	80 000 000	45 000 000
Conditions met - transferred to revenue	(22 176 572)	(38 396 609)
Withheld	(6 603 391)	-
	57 823 428	**6 603 391**

Conditions still to be met - remain liabilities (see note 22).

To facilitate the planning and implementation of various water and on-site sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities. Provide interim, intermediate water and sanitation supply that ensures provision of services to identified and prioritised communities, including through spring protection and groundwater development.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Government grants and subsidies (continued)

Housing grant

Balance unspent at beginning of year	2 901 261	2 901 261

Conditions still to be met - remain liabilities (see note 22).

National Lottery

Balance unspent at beginning of year	137 300	137 300

Conditions still to be met - remain liabilities (see note 22).

Waterberg District Municipality

Balance unspent at beginning of year	61 112	61 112

Conditions still to be met - remain liabilities (see note 22).

The Waterberg District Council provided a grant-in-aid to assist with the Welgevonden pipeline.

Skills Education & Training Grant

Current-year receipts	-	57 423
Conditions met - transferred to revenue	-	(57 423)
	-	-

Conditions still to be met - remain liabilities (see note 22).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2016), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

29. Employee related costs

Salaries and wages	112 925 612	97 908 281
13th cheque	7 696 734	6 172 461
Cell phone allowance	1 124 277	1 301 676
Contributions for UIF, pensions and medical aids	33 590 129	26 368 282
Employee benefit obligation and long service awards	1 156 688	(14 555 784)
Group insurance	333 312	579 962
Housing benefits and allowances	781 034	678 970
Other payroll levies	56 471	15 199
Overtime payments	11 626 446	8 047 926
Skills development levy	1 498 628	1 259 172
Standby	4 322 230	5 073 825
Tool allowance	7 337	5 428
Travel, motor car, accommodation, subsistence and other allowances	11 006 687	10 261 750
	186 125 585	**143 117 148**

Remuneration of municipal manager (NS Bambo)

Annual Remuneration	-	836 964
Car Allowance	-	120 321
Cellphone allowance	-	18 750
Contributions to UIF, Medical and Pension Funds	-	194 540
	-	**1 170 575**

Mr Bambo was seconded to COGHSTA from 13 August 2016.

Remuneration of municipal manager (OP Sebola)

Annual Remuneration	560 294	560 294
Car Allowance	214 861	232 637
Cellphone allowance	14 310	14 310
Contributions to UIF, Medical and Pension Funds	131 648	124 603
	921 113	**931 844**

Remuneration of chief finance officer (D Eksteen)

Annual Remuneration	-	665 251
Car Allowance	-	208 276
Cellphone allowance	-	8 518
Contributions to UIF, Medical and Pension Funds	-	9 997
Subsistance allowance	-	6 360
	-	**898 402**

No remuneration to acting chief financial officers since the acting members were not entitled to remuneration due to the acting remuneration policy.

Remuneration of corporate services manager (NJ Moagi)

Annual Remuneration	-	158 728
Car Allowance	-	52 562
Performance Bonuses	-	41 953
Contributions to UIF, Medical and Pension Funds	-	46 730
Cellphone allowance	-	5 900
Leave pay	-	191 405
	-	**497 278**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

29. Employee related costs (continued)

Remuneration of social services manger (MZ Namate)

Annual Remuneration	564 083	481 518
Car Allowance	93 524	80 357
Cellphone allowance	21 000	18 750
Contributions to UIF, Medical and Pension Funds	155 699	128 916
Subsistance allowance	-	24 605
	834 306	**734 146**

Remuneration of social services manager (MH Sebata)

Annual Remuneration	441 238	496 915
Car Allowance	161 003	155 695
Leave pay	-	72 864
Cellphone allowance	7 552	13 061
Subsistance allowance	-	111 728
Contributions to UIF, Medical and Pension Funds	105 575	145 211
	715 368	**995 474**

Remuneration of technical services manager (N Sikhiwivhilu)

Annual Remuneration	-	445 386
Car Allowance	-	112 500
Cellphone allowance	-	18 150
Substistance allowance	-	30 154
Contributions to UIF, Medical and Pension Funds	-	102 576
	-	**708 766**

TB Maphuth was acting in the position and received an acting allowance of R151,389.

Remuneration of corporate services manager (HRA Lubbe)

Annual Remuneration	390 597	-
Car Allowance	132 219	-
Cellphone allowance	12 250	-
Contributions to UIF, Medical and Pension Funds	6 184	-
	541 250	**-**

MP Shika was acting in the position and received an acting allowance of R4,860.

Remuneration of strategic planning manager (K Maluleka)

Annual Remuneration	559 263	-
Car Allowance	132 219	-
Cellphone allowance	7 000	-
Contributions to UIF, Medical and Pension Funds	7 872	-
	706 354	**-**

Figures in Rand	2018	2017

29. Employee related costs (continued)

Remuneration of project management unit (SK Ramthlakgwe)

Annual Remuneration	742 466	-
Car Allowance	139 920	-
Performance Bonuses	123 744	-
Contributions to UIF, Medical and Pension Funds	12 474	-
Cellphone allowance	18 600	-
	1 037 204	**-**

30. Remuneration of councillors

Mayor	835 722	1 965 965
Speaker	629 368	-
Chief Whip	497 923	-
Mayoral Committee Members	1 595 336	-
Councillors	6 426 972	10 013 562
	9 985 321	**11 979 527**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

30. Remuneration of councillors (continued)

2018	Annual remuneration	Travel Allowance	Pension Contributions	Medical aid contributions	Cellphone and other alowances	Total
Mayor M Van Staden	494 356	189 503	74 153	46 871	30 839	835 722
Chief Whip HP Louw	295 960	113 451	44 394	-	44 119	497 924
Speaker DS Motshwene	385 186	147 655	57 778	-	38 749	629 368
	1 175 502	**450 609**	**176 325**	**46 871**	**113 707**	**1 963 014**

Executive committee	Annual remuneration	Travel Allowance	Pension Contributions	Medical aid contributions	Cellphone and other alowances	Total
LW Kola	235 626	78 542	35 344	-	43 956	393 468
LW Monyela	235 626	78 542	35 344	38 876	34 785	423 173
RP Mashaba	235 626	78 542	35 344	-	27 251	376 763
NG Mashitisho	227 812	78 542	35 344	32 542	27 692	401 932
	934 690	**314 168**	**141 376**	**71 418**	**133 684**	**1 595 336**

Councillors	Annual remuneration	Travel Allowance	Pension Contributions	Medical aid contributions	Cellphone and other alowances	Total
JJ Abrie	276 335	105 929	41 450	-	29 204	452 918
J Baloyi	149 009	57 120	22 351	-	75 772	304 252
CMJ Botha	219 913	73 304	-	-	64 018	357 235
RS Chauke	149 009	57 120	22 351	-	31 729	260 209
S Groenewald	191 229	73 304	28 684	23 864	27 065	344 146
JM Lebese	171 361	57 120	-	-	26 761	255 242
KN Mabunda	149 009	57 120	22 351	-	26 333	254 813
RJ Mahoro	171 361	57 120	25 704	5 772	36 241	296 198
BS Marema	111 550	42 761	16 733	18 255	15 758	205 057
B Mocke	191 229	73 304	28 684	-	30 018	323 235
NE Monepya	191 229	73 304	28 684	-	29 312	322 529
DM Monama	149 009	59 662	22 351	48 036	34 274	313 332
NS Monyamane	188 124	57 120	28 219	31 104	31 460	336 027
LK Moruwe	171 361	57 120	23 562	-	60 526	312 569
MM Mothabela	149 009	57 120	22 351	29 164	26 747	284 391
D Phalane	171 361	57 120	-	-	50 904	279 385
MD Phele	171 361	57 120	-	-	26 883	255 364
MM Sethlabi	149 009	57 120	22 351	-	47 070	275 550
JP Prinsloo	149 009	57 120	22 351	-	26 455	254 935
KE Lekalakala	124 066	57 120	20 097	37 638	26 530	265 451
SM Seodisa	157 081	54 731	23 562	27 345	43 760	306 479
MJ Kekana	110 678	30 543	11 952	-	14 482	167 655
	3 661 302	**1 329 402**	**433 788**	**221 178**	**781 302**	**6 426 972**

31. Depreciation and amortisation

	2018	2017
Property, plant and equipment	70 452 834	49 148 397

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

32. Impairment of assets

Impairments		
Property, plant and equipment	4 568 687	1 836 339
Heritage assets	60 820	-
	4 629 507	**1 836 339**

The main classes of assets affected by impairment losses are:

Property, plant and equipment.

Heritage assets.

The main events and circumstances that led to the recognition of these impairment losses are as follows:

Where indicators for Impairment were identified during the verification process, impairment tests were performed as per the Standards of GRAP and as a result of these Impairment tests a total number of 1184 assets were impaired. The impairment loss amounted to R4,629.507. Included in this process was a total of 753 assets not found during the verification process. Because these asset have a R0 value in use, the relevant assets were impaired to a nett book value of R0.

33. Finance costs

Post retirement benefits and long service awards	4 444 037	4 880 854
Finance leases	176 221	502 723
Financial instrument at amortised cost	258 448	25 808
	4 878 706	**5 409 385**

34. Debt impairment

Trade receivables from exchange transactions	144 399 778	36 866 512
Trade receivables from non-exchange transactions	-	283 630
	144 399 778	**37 150 142**

35. Bulk purchases

Electricity	202 014 564	206 178 870
Water	10 277 684	7 309 695
	212 292 248	**213 488 565**

36. Contracted services

Outsourced Services		
Burial Services	60 000	44 486
Security Services	13 171 930	7 275 707
Water Tankers	5 817 568	2 792 236
Consultants and Professional Services		
Business and Advisory	7 502 371	4 945 796
Infrastructure and Planning	242 545	-
Legal Cost	18 956 450	15 881 272

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

36. Contracted services (continued)

Contractors		
Maintenance of Buildings and Facilities	5 404 379	6 599 533
Maintenance of Unspecified Assets	18 525 991	4 081 422
Traffic and Street Lights	299 895	137 988
Transportation	270 747	-
Sewerage Services	14 931 932	11 548 754
	85 183 808	**53 307 194**

37. General expenses

Advertising	200 739	438 784
Auditors remuneration	6 076 566	2 590 391
Bank charges	721 199	436 057
Chemicals	-	1 239 065
Cleaning	-	64 035
Conferences and seminars	396 670	176 885
Consumables	4 512 709	-
Council committee	9 296	13 507
Disaster management	-	13 964
EAP referals	-	6 494
Fines and penalties	50 866	-
Fuel and oil	-	833 510
Grant expenditure	-	8 291 741
Insurance	3 123 513	2 472 594
Internal audit committee	-	84 593
Library services	-	12 470
Lease expenses	15 483 455	9 279 913
Material and stock	914 040	224 414
Municipal programs	-	40 000
Municipal strategy	-	38 984
Occupational health and safety	-	9 000
Other expenses	1 612 900	783 857
Pest control	-	35 397
Postage and courier	5 298	1 439
Printing and stationery	212 233	1 654 727
Travel and subsistance	1 474 899	-
Protective clothing	976 818	441 001
Publications	-	822 214
Refuse	-	244 069
Software expenses	667 901	428 630
Special projects	-	70 266
Subscriptions and membership fees	72 946	204 705
Telephone and fax	2 260 175	1 853 912
Test water samples	-	43 844
Training	54 152	86 677
Valuation cost	-	1 052 170
	38 826 375	**33 989 309**

38. Auditors' remuneration

Fees	6 076 566	2 590 391

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

39. Cash generated from (used in) operations

Deficit	(274 475 212)	(90 812 700)
Adjustments for:		
Depreciation and amortisation	70 452 834	49 148 397
Gain on sale of assets and liabilities	2 074 399	-
Fair value adjustments	(3 064)	(9 326)
Finance costs - Finance leases	-	4 996 932
Impairment loss	4 629 507	1 836 339
Debt impairment	144 399 778	37 150 142
Movements in provisions	556 977	-
Inventory losses	2 272 954	-
Actuarial gain on post retirement	2 746 468	(15 935 950)
Finance cost	4 444 037	(492 299)
Non-cash movements in property, plant and equipment	(31 721 368)	-
Changes in working capital:		
Inventories	82 760	(351 786)
Other receivables from exchange transactions	(863 507)	(1 655 636)
Receivables from exchange transactions	(67 549 471)	(73 683 160)
Other receivables from non-exchange transactions	(27 031 168)	14 721 401
Prepayments	-	1 468 141
Payables from exchange transactions	156 461 816	4 880 262
VAT	(11 402 992)	(6 869 270)
Unspent conditional grants and receipts	64 989 325	(8 381 505)
Consumer deposits	-	(23 874)
Other financial assets	10 658 732	(10 658 732)
	50 722 805	**(94 672 624)**

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	83 535 448	154 800
• Other financial assets	-	5 776 282
	83 535 448	**5 931 082**

Total capital commitments		
Already contracted for but not provided for	83 535 448	5 931 082

Authorised operational expenditure

Already contracted for but not provided for		
• Operating expenditure	1 794 038	143 000

Total operational commitments		
Already contracted for but not provided for	1 794 038	143 000

Total commitments

Total commitments		
Authorised capital expenditure	83 535 448	5 931 082
Authorised operational expenditure	1 794 038	143 000
	85 329 486	**6 074 082**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

41. Contingencies

Pending Legal Cases:	30 June 2018	30 June 2017
FT Mtswhene vs Modimolle-Mookgophong Local Municipality - The matter is set down for hearing on 8 September 2017.	-	200 000
SD Nawa vs Modimolle-Mookgophong Local Municipality - Mr Nawa was dismissed by the Bargaining Council and has brought a review application at the Labour Court.	-	300 000
Mahumani Inc obo Alderson Family vs Modimolle-Mookgophong Local Municipality - Allege compensation for expropriation of farms at Donkerpoort Dam.	4 000 000	4 000 000
KC Joubert vs Modimolle-Mookgophong Local Municipality - Labour dispute. No specific amount and awaiting date of hearing.	-	600 000
IMATU &I Sithole vs Modimolle-Mookgophong Local Municipality - Allege termination of temporary employment and order for re-employement of employees as permanent. The matter is currently referred for review for re-instatement of the applicants.	-	4 452 678
Mellampius vs Modimolle-Mookgophong Local Municipality - Municipality must apply for eviction of illegal occupiers at Vaalwater.	1 800 000	1 800 000
Helen West vs Modimolle-Mookgophong Local Municipality - Alleged malfunctioning of electricity meters to overcharging.	19 897	19 897
Lesperance Sebenzani Joint vs Modimolle-Mookgophong Local Municipality - Alleged termination of contract without following the prescribed.	4 654 022	4 654 022
Arabest 121 CC vs Modimolle-Mookgophong Local Municipality - Allege termination of contract without following the proper procedure and or provision of the contract regarding termination.	35 849 535	35 849 535
NJ Moagi vs Modimolle-Mookgophong Local Municipality - Allege claim for defamation of character.	500 000	200 000
Balimi Barul Trading vs Modimolle-Mookgophong Local Municipality - Allege claim for service rendered.	3 000 000	11 854 385
Shirelo David Chauke vs Modimolle-Mookgophong Local Municipality - Municipal official involved in an accident. Claimant instituted against the Municipality.	210 000	350 000
Afriforum vs Modimolle-Mookgophong Local Municipality - Allegations of failure to provide clean running water to the community of Mookgophong. To this extent, the Municipality's legal team (Moloto Attorneys) advised that Council settles the matter and find a way to resolve its water problems.	400 000	400 000
H Fouche vs Modimolle-Mookgophong Local Municipality - The applicant approached the NGHC for an order compelling the respondent to pay monies accrued to the applicant due to the respondent's faliure to provide electricity to the applicant which failure led to the applicant suffering loss of business.	750 000	750 000
Euphoria Home Owners Association vs Modimolle-Mookgophong Local Municipality - The applicants approached the NGHC on an urgent basis for a ruling following the respondent's decision to terminate electricity supply to the applicant.	500 000	500 000
Silas Radebe Trading vs Modimolle-Mookgophong Local Municipality - Vehicle accident between municipal driver and third party. Claiming loss of income.	-	870 000
Solomon Nkiwe Ranamane/Modikeng Paul Ranamane vs Modimolle-Mookgophong Local Municipality - Claim for professional work on job evaluations and compilation of contracts.	-	800 000

41. Contingencies (continued)

Figures in Rand	2018	2017
Kekamno Projects (Pty) Ltd vs Modimolle-Mookgophong Local Municipality - Claim for services rendered.	-	6 059 800
Eurosum Investments (Pty) Ltd vs Modimolle-Mookgophong Local Municipality - Claim for services rendered.	-	150 000
Edge Forensic & Risk Consultants vs Modimolle-Mookgophong Local Municipality - Claim for services rendered.	-	646 591
Telkom SA (Pty) Ltd vs Modimolle-Mookgophong Local Municipality - Claim for services rendered.	-	221 284
S&R Winders CC vs Modimolle-Mookgophong Local Municipality - Claim for services rendered.	-	146 736
Anneline Walkinshaw vs Modimolle-Mookgophong Local Municipality - Damages claim.	-	485 000
SMA Attorneys vs Modimolle-Mookgophong Local Municipality - Letter of demand received for alleged subscription for advertising services rendered to the Municipality and were allegedly never paid.	-	88 257
Makgoba Kgomo Makgaleng Inc representing Makgoleng Trading CC vs Modimolle-Mookgophong Local Municipality - For alleged non-payment of supply, installation and/or replacement of a traffic light at the intersection of the main road and Pick n Pay.	-	23 930
Vosloo vs Modimolle-Mookgophong Local Municipality - Spoliation order against the Municipality.	170 000	170 000
E Makgato & TS Makgato vs Modimolle-Mookgophong Local Municipality - Summons against the Municipality alleging failure to pay for services rendered during September 2014 to June 2015. Parties reached a settlement on the 7 June 2017, wherein the Municipality will effect payment to the legal representative of the Plaintiffs in the sum of R150 000.00 each and every succeeding month liquidating the Plaintiffs’ claim, costs and interest.	1 716 840	1 716 840
Robin Twaddle & Associates vs Modimolle-Mookgophong Local Municipality - Alleged non-payment of outstanding invoice.	-	502
GUBIS 85 Solutions (Pty) Ltd vs Modimolle-Mookgophong Local Municipality - Alleged non-payment for services rendered.	-	2 387 160
Public Protector Limpopo Province obo N J Swartz vs Modimolle-Mookgophong Local Municipality - Possible overcharging of rates due to charging business rates instead of residential rates in the complainant residetial place. Liability still unquantified.	1	-
Adv. Nkopotudi vs Modimolle-Mookgophong Local Municipality, Malumbete & Makhubele Attorneys - Alleged non-payment of service rendered to the municipality.	1 335 750	-
CMXI (al Energy) (Pty) Ltd vs Modimolle-Mookgophong Local Municipality, Mokgobu Attortneys - The municipality had a contntract with CMXI to instal smart meters in Modimolle. CMXI failed to start with the project and requeted the Municipality to give surety fo their funding, and when the Municipality refused to give funding they then approached the Arbitration Foundation of Southern Africa.	32 000 000	32 000 000
Tlou E Kgolo Construction vs Modimolle-Mookgophong Local Municipality, Mokgobu Attorneys - Non-payment of outstanding invoices fot services rendered for the building and or renovation of Donkerpoort Dam.	78 890	425 629

Figures in Rand	2018	2017

41. Contingencies (continued)

Modimolle-Mookgophong Local Municipality and NKU's FAMILY, MALUMBETE &MAKHUBELE ATTORNEYS - Eviction of the family from the community Hall. Allocation three to four residential stands or alternatively allocate a farm. Mabaleng new settlement.	1	-
SN Ranamane vs Modimolle-Mookgophong Local Municipality - Claim in respect of professional consultancy and advisory services rendered to the municipality.	596 175	-
Modimolle-Mookgophong Local Municipality and Die Oog - Enhancing the development in connection with Die Oog retirement village. Payment not determined at this stage.	1	-
Telkom SA vs Modimolle-Mookgophong Local Municipality - Claim for damages caused on the plaintiffs property.	74 430	-
Mohoma projects and investments vs Modimolle-Mookgophong Local Municipality - Notice of set down of bill of costs.	1	-
Phokoane Phasha Attorneys vs Modimolle-Mookgophong Local Municipality - Notice in terms of section 3(2) of the institution of legal proceedings against certain organs of the state Act no. 40 of 2002.	2 845 860	-
Van Heerden & Krugel Attorneys vs Modimolle-Mookgophong Local Municipality - Claim for payment of services rendered on debt collection.	7 624 761	-
AfriForum vs Modimolle-Mookgophong Local Municipality - Sought an order to compel the municipality to comply with legal provision in relation to landfill site maintenance. The amount is still unquantified at this stage.	1	-
Menyatso Trading vs Modimolle-Mookgophong Local Municipality, Moloto Attorneys - Alleges non-payment of the outstanding invoices.	850 000	-
Mohammed Idhris Osman vs Modimolle-Mookgophong Local Municipality, Maluleka Tlhasi Attorneys - Sought an order to enforce restoration of electricity that was cut due to failure to pay rates and taxes Maluleka Tlhasi Attorneys. Interdict.	1	-
Mookgophong Square Ontwikkeling (Pty) Ltd - Interdict to stop the construction of a shopping complex. Interdict.	1	-
Mookgophong Klub Lekkerrus vs Modimolle-Mookgophong Local Municipality - Alleges loss of income due to electricity outages.	750 000	-
Auditor – General of SA - Alleges non -payment of outstanding invoice.	2 195 221	-
MGL Enterprises (PTY) ltd vs Modimolle-Mookgophong Local Municipality - Alleges non-payment of invoices.	850 100	-
SML Projects vs Modimolle-Mookgophong Local Municipality, Mphoke, PK Magane Attorneys - Alleges non-payment of invoices.	1 298 891	-
	104 070 379	**112 122 246**

Contingent assets

Pending Legal Cases:	30 June 2018	30 June 2017
JF de Beer vs Modimolle-Mookgophong Local Municipality - Court rules in favour of the Municipality with cost to be paid by the applicant after taxation took place. The anticipated amount is yet to be determined.	-	556 000

42. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories		5 299 794	-	-	5 299 794
Other financial assets		-	-	10 658 732	10 658 732
Receivables from exchange transactions		7 392 778	-	(269 155)	7 123 623
Receivables from non-exchange transactions		-	-	73 119 211	73 119 211
VAT receivable		14 020 397	8 790 869	-	22 811 266
Prepayments		1 468 139	(1 468 139)	-	-
Consumer debtors		212 363 764	-	(72 850 056)	139 513 708
Investments		900 000	-	-	900 000
Other Receivables		372 363	-	-	372 363
Cash and cash equivalents		11 460 157	-	(10 658 732)	801 425
Investment property		17 206 951	-	-	17 206 951
Property, plant and equipment		1 345 184 781	52 198 182	(6 571)	1 397 376 392
Intangible assets		2 666 407	2 244 628	-	4 911 035
Heritage assets		181 347	27 645	6 571	215 563
Investments		128 415	-	-	128 415
Other financial liabilities		(150 995)	-	-	(150 995)
Finance lease obligation		(2 758 369)	346 904	-	(2 411 465)
Payables from exchange transactions		(204 762 374)	(79 642 612)	-	(284 404 986)
Consumer deposits		(7 331 770)	-	-	(7 331 770)
Employee benefit obligation		(1 595 831)	-	-	(1 595 831)
Long service awards		-	-	(1 469 734)	(1 469 734)
Unspent conditional grants and receipts		(18 790 274)	-	-	(18 790 274)
Provisions		(1 469 734)	-	1 469 734	-
Bank overdraft		(154 953 419)	(412 452)	-	(155 365 871)
Finance lease obligation		(667 137)	29 315	-	(637 822)
Employee benefit obligation		(37 346 699)	-	-	(37 346 699)
Long service awards		-	-	(8 440 786)	(8 440 786)
Provisions		(71 154 558)	-	8 440 786	(62 713 772)
Housing development fund		(483 263)	-	-	(483 263)
Accumulated surplus: Opening balance		(1 137 889 603)	(52 218 308)	-	(1 190 107 911)
Deficit for the year		20 708 733	70 103 968	-	90 812 701
		-	-	-	-

Statement of financial performance

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

42. Prior-year adjustments (continued)

2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		193 671 247	-	-	193 671 247
Interest received - Trade debtors		24 607 829	-	-	24 607 829
Rental income		246 968	-	(246 968)	-
Fair value of shares		9 326	-	-	9 326
Fire fighting income		1 394 868	-	(1 394 868)	-
Sundry income		3 614 933	-	1 641 836	5 256 769
Interest received - investment		2 695 989	-	-	2 695 989
Property rates		55 978 716	-	-	55 978 716
Licences or permits		2 292 448	-	-	2 292 448
Government grants & subsidies		173 701 354	-	-	173 701 354
Traffic fines		399 628	-	-	399 628
Employee related costs		(159 053 098)	-	15 935 950	(143 117 148)
Remuneration of councillors		(11 979 527)	-	-	(11 979 527)
Actuarial gain / (loss)		15 935 950	-	(15 935 950)	-
Depreciation and amortisation		(51 400 543)	2 252 146	-	(49 148 397)
Impairment loss / Reversal of impairments		(1 836 339)	-	-	(1 836 339)
Finance costs		(5 373 153)	(36 232)	-	(5 409 385)
Debt impairment		(37 150 142)	-	-	(37 150 142)
Repairs and maintenance		(20 680 802)	-	20 680 802	-
Bulk purchases		(142 636 822)	(70 851 743)	-	(213 488 565)
Contracted services		(15 881 272)	-	(37 425 922)	(53 307 194)
General expenses		(49 266 290)	(1 468 139)	16 745 120	(33 989 309)
Deficit for the year		**(20 708 732)**	**(70 103 968)**	**-**	**(90 812 700)**

Errors

The following prior period errors adjustments occurred:

Error 1

The municipality paid in advance an amount of R1,891,308.00 to Bathathu risk for insurance on 05/07/2016, recognised a prepayement of R1,468,139.00 on a merger date (10/08/2016) and incurred the expenditure during the year. The municipality made an error by not reducing the prepayment balance with the expenditure incurred during the year. At year end the municipality presented R1,468,139.00 as prepayment instead of R0.00

	2018	2017
Statement of financial position		
Decrease in prepayments	-	(1 468 139)
Statement of financial performance		
Increase in general expenses	-	1 468 139

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

42. Prior-year adjustments (continued)

Error 2

The municipality withdrawn the Mayrol vehicle, BMW 5 series BFN 656 L, from the fleet services during the 2016/2017 financial year. The municipality made an error by including the vehicle in the finance lease obligation. During the 2017/2018 financial year, the error was corrected by removing the vehicle from finance lease obligation.

	2018	2017
Statement of financial position		
Decrease in current finance lease obligation	-	29 315
Decrease in non-current finance lease obligation	-	346 904
Increase in bank overdraft	-	(412 452)
	-	**(36 233)**

	2018	2017
Statement of financial performance		
Increase in finance cost	-	36 232

Error 3

Combined Systems (Pty) Ltd was appointed to perform a verification on all moveable assets and Infrastructure assets within the Modimolle Township as well as the verification of completed projects. As a result of the verification process, new assets were identified that was not accounted for on the fixed asset register. A total of 2372 assets were fair valued and this resulted in a correction of error to the value of R52,080,531. This effected the following classes of assets:

- Community assets
- Infrastructure
- Other assets

A new finance lease not accounted for in the previous financial year had to be adjusted as a correction in the fixed asset register to the value of R137,779.

During the verification process it was established that 49 assets that fully depreciated in the previous financial year, was still in use and a correction was made on the accummulated depreciation to the value of R1,128,937.

	2018	2017
Statement of financial position		
Increase in property, plant and equipment	-	52 198 182
Increase in intangible assets	-	2 244 628
Increase in heritage assets	-	27 645
Increase in accumulated surplus	-	(52 218 308)
	-	**2 252 147**

	2018	2017
Statement of financial performance		
Decrease in depreciation and amortisation	-	(2 252 146)

Error 4

Trade payables relating to bulk water purchases has not been accounted for during the 2016/2017 fincial year. During the 2017/2018 financial year, the municipality has correctly accounted for the trade payables.

	2018	2017
Statement of financial position		
Increase in VAT receivable	-	8 790 869
Increase in payables from exchange transactions	-	(79 642 610)
	-	**(70 851 741)**

	2018	2017
Statement of financial performance		
Increase in bulk purchases	-	70 851 743

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

42. Prior-year adjustments (continued)

Cash flow statement

2018

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Services rendered		190 688 204	(4 365 523)	186 322 681
Grants		165 319 849	-	165 319 849
Interest income		2 695 989	-	2 695 989
Other receipts		6 302 535	(6 302 535)	-
Interest earned - Outstanding receivables		24 607 829	-	24 607 829
Employee costs		(171 032 626)	-	(171 032 626)
Finance costs		(492 299)	-	(492 299)
Other payments		(301 681 597)	(412 450)	(302 094 047)
		(83 592 116)	**(11 080 508)**	**(94 672 624)**
Cash flow from investing activities				
Purchase of property, plant and equipment		(96 004 675)	-	(96 004 675)
Movement of investments		(9 326)	9 326	-
		(96 014 001)	**9 326**	**(96 004 675)**
Cash flow from financing activities				
Repayment of other financial liabilities		(276 855)	-	(276 855)
Movement in employee obligations		(476 448)	-	(476 448)
Finance lease payments		(1 656 461)	-	(1 656 461)
		(2 409 764)	**-**	**(2 409 764)**

43. Comparative figures

Certain comparative figures have been reclassified.

As of 1 July 2017 the municipality has implemented National Treasury's Municipal Standard Chart of Accounts (MSCOA). The new chart is designed to enhance comparability between municipalities and therefore result in information disclosed being more understandable and reliable. Due to the implementation of the new chart, certain comparative figures needed to be restated to allow a comparison between the current period figures and the prior year's figures that were presented based on the old municipal chart of accounts.

The effects of the reclassification are set out in note 39.

Prior period is not equal to 12 months affecting comparability of the information.

44. Related parties

Relationships	
Councillors	Refer to note 30
Key management	Refer to note 29

45. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	19 271 761	-	-	-
Finance lease obligation	617 949	19 872	-	-
Payables from exchange transactions	440 866 799	-	-	-
Consumer deposits	7 331 770	-	-	-
Bank overdraft	87 141 051	-	-	-
Unspent conditional grants	83 779 599	-	-	-
	639 008 929	**19 872**	**-**	**-**

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	150 995	-	-	-
Finance lease obligation	2 411 465	637 822	-	-
Payables from exchange transactions	284 404 984	-	-	-
Consumer deposits	7 331 770	-	-	-
Bank overdraft	155 365 871	-	-	-
Unspent conditional grants	18 790 274	-	-	-
	468 455 359	**637 822**	**-**	**-**

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Cash and cash equivalents	8 710	801 425
Trade receivables from exchange transactions	62 663 401	139 513 708
Receivables from non-exchange transactions	100 150 378	73 119 210
Other receivables from exchange transactions	7 987 130	7 123 623
Other receivables	372 363	372 363
Investments	1 031 484	1 028 415

Notes to the Annual Financial Statements

45. Risk management (continued)

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

46. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At fair value	At amortised cost	Total
Other receivables from exchange transactions	-	7 987 130	7 987 130
Receivables from non-exchange transactions	-	100 150 378	100 150 378
Receivables from exchange transactions	-	62 663 401	62 663 401
Investments	131 484	900 000	1 031 484
Other receivables	-	372 363	372 363
Cash and cash equivalents	-	8 710	8 710
	131 484	**172 081 982**	**172 213 466**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	19 271 761	19 271 761
Finance lease obligation	637 821	637 821
Trade and other payables from exchange transactions	440 866 799	440 866 799
Consumer deposits	7 331 770	7 331 770
Bank overdraft	87 141 051	87 141 051
Unspent conditional grants	83 779 599	83 779 599
	639 028 801	**639 028 801**

2017

Financial assets

	At fair value	At amortised cost	Total
Other receivables from exchange transactions	-	7 123 623	7 123 623
Receivables from non-exchange transactions	-	73 119 210	73 119 210
Receivables from exchange transactions	-	139 513 708	139 513 708
Investments	128 415	900 000	1 028 415
Other receivables	-	372 363	372 363
Cash and cash equivalents	-	801 425	801 425
Other financial assets	-	10 658 732	10 658 732
	128 415	**232 489 061**	**232 617 476**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

46. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Other financial liabilities	150 995	150 995
Finance lease obligation	3 049 287	3 049 287
Trade and other payables from exchange transactions	284 404 984	284 404 984
Consumer deposits	7 331 770	7 331 770
Bank overdraft	155 365 871	155 365 871
Unspent conditional grants	18 790 274	18 790 274
	469 093 181	**469 093 181**

47. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R 824 819 997 and that the municipality's total assets exceed its liabilities by R 825 303 260.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer, who is also the administrator, continues to procure funding for the ongoing operations for the municipality. Intervention in terms of Section 139(1)(b) of the Constitution of the Republic of South Africa will provided in the preparation of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

48. Events after the reporting date

- On 2 August 2018, the council took note that Ms MF Mokoko was appointed as an Administrator for Modimolle-Mookgophong Local Municipality by COGHSTA and will assume the responsibilities of Accounting Officer in line with section 139(1)9(b) of the Constitution of the republic of South Africa.
- An estimation of the financial impact of this administration cannot be made.

49. Unauthorised expenditure

	2018	2017
Opening balance	143 829 183	124 307 325
Unauthorised expenditure for the current year: Over expenditure on current budget	59 200 393	19 521 858
Approved by Council or condoned	-	-
	203 029 576	**143 829 183**

50. Fruitless and wasteful expenditure

	2018	2017
Opening balance	48 207 955	20 197 953
Fruitless and wasteful expenditure for the current year	19 912 005	28 010 002
Condoned or written off by Council	-	-
	68 119 960	**48 207 955**

The movement for 2018 relates to interest on Eskom, Magalies Water, AGSA and SARS payments.

This expenditure is under investigation. The decision whether the expenditure / losses are recoverable, any criminal or disciplinary steps to be taken and material losses recovered or written off is pending the investigation by the Municipal Public Accounts Committee.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

51. Irregular expenditure

	2018	2017
Opening balance	113 825 674	111 532 098
Add: Irregular Expenditure - current year	76 343 632	2 293 576
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	190 169 306	**113 825 674**

The municipality is investigating possible instances of irregular expenditure which has not been included in the amount disclosed above. The full extent of irregularity would only be known at the conclusion of this investigations. The amount disclosed above may change based on the outcome of these investigations.

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Legodi Attorneys	No action taken	11 868 927
Comperio	No action taken	100 000
Comperio	No action taken	100 000
Vaalwater Sweiswerke	No action taken	7 345
Mr Trees	No action taken	73 955
KKFM Trading Services	No action taken	150 000
DR Baber	No action taken	18 147
Kgolo Institute	No action taken	150 000
Ehlers Elektries	No action taken	104 135
Reagetswe Trading	No action taken	300 000
University of Stellenbosch	No action taken	160 072
Cold Front Trading	No action taken	201 875
JKT Projects	No action taken	100 000
Fawcett Security	No action taken	200 000
Genesis Land and Development	No action taken	106 704
Cold Front Trading	No action taken	75 000
Ehlers Elektries	No action taken	114 000
Skrander Max Pty Ltd	No action taken	341 600
Jonty Group pty ltd	No action taken	227 750
Jonty Group pty ltd	No action taken	197 200
Ehlers Elektries	No action taken	246 922
Sankgo Engineers	No action taken	10 000 000
Sace-Southern Africa Consulting Engineers	No action taken	8 000 000
Ralema Consulting Engineers	No action taken	10 000 000
Morad Consulting (Pty) ltd	No action taken	2 500 000
Molemo Consulting Engineers	No action taken	5 000 000
Moba and Associates	No action taken	5 000 000
Kiip Consulting North (Pty)Ltd	No action taken	3 500 000
Kago Consulting Engineers	No action taken	5 000 000
Baitseanape Consulting Engineers	No action taken	2 500 000
Studio Martini Ingegneria(Pty)Ltd	No action taken	10 000 000
		76 343 632

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2018	2017
Opening balance	1 835 790	-
Current year subscription / fee	1 962 160	1 962 160
Prior year correction	-	(126 370)
	3 797 950	**1 835 790**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Opening balance	1 246 571	-
Current year subscription / fee	6 939 803	2 953 045
Amount paid - current year	(1 000 000)	(1 706 474)
	7 186 374	**1 246 571**

PAYE, UIF and SDL

Current year subscription / fee	23 978 012	21 966 648
Amount paid - current year	(9 663 977)	(21 966 648)
	14 314 035	**-**

Pension and Medical Aid Deductions

Current year subscription / fee	45 561 814	39 915 698
Amount paid - current year	(45 561 814)	(39 915 698)
	-	**-**

VAT

VAT receivable	34 214 251	22 811 266

VAT output payables and VAT input receivables are shown in note 7.

Figures in Rand	2018	2017

52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councilors' arrear consumer accounts

The following Councilors had arrear accounts outstanding:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MJ Botha	8 639	-	8 639
Councillor DS Motshwene	327	-	327
Councillor KE Lekalakala	1 055	-	1 055
Councillor KN Mabunda	1 127	866	1 993
Councillor MM Mothabela	547	493	1 040
Councillor MD Phele	131	85	216
Councillor RP Mashaba	408	-	408
Councillor RJ Mahoro	756	671	1 427
Councillor S Groenewald	390	-	390
Councillor SE Kenoshi	3 442	2 471	5 913
	16 822	**4 586**	**21 408**

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor DS Motshwene	-	2 868	2 868
Councillor HP Louw - Currently credit	-	(792)	(792)
Councillor MJ Botha	-	378	378
Councillor S Groenewald	-	306	306
Councillor KE Lekalakala	-	1 234	1 234
Councillor SE Kenoshi	-	33 860	33 860
Councillor RJ Mahoro	-	3 595	3 595
Councillor RP Mashaba	-	548	548
Councillor MM Mothabela	-	2 943	2 943
Councillor KN Mabunda	-	377	377
Councillor MD Phele	-	580	580
	-	**45 897**	**45 897**

53. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Reasons for deviations	2018	2017
Deviations in terms of single provider procurement, sec 36(1)(a)(ii)	-	706 121
Deviations as a result of emergency procurement, sec 36(1)(b)	2 599 075	7 519 492
Deviations in minor breaches of procurement, sec 36(1)(b)	-	135 344
	2 599 075	**8 360 957**